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COMMITTEE PRINT

SUMMARY OF SBA PROGRAMS

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES
ONE HUNDREDTH CONGRESS
FIRST SESSION

FEBRUARY 1987

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LETTER OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC, February 27, 1987.

ALL MEMBERS,
Committee on Small Business,
U.S. House of Representatives, Washington, DC.

DEAR COLLEAGUE: The Committee on Small Business has for some years published a summary of SBA programs, outlining their principal purposes, terms and eligibility requirements. In addition to describing under one cover all major SBA programs, this summary has in some instances been the only printed source of information on some lesser known agency programs.

The Omnibus Budget Reconciliation Act of 1983 (Public Law 98-270), the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272), and various regulatory actions have made extensive changes in many SBA programs since the Committee's last summary was published in February 1983. Accordingly, I directed the Committee's staff to revise and update the summary to reflect these changes. This revision has been completed and published as a committee print. Additional information is available from any SBA office; a listing of these offices is included as an appendix to the summary.

Sincerely,

JOHN J. LAFALCE,
Chairman.

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SUMMARY OF SBA PROGRAMS

CHAPTER 1

SBA ASSISTANCE IN GENERAL

The Small Business Administration is the primary Federal agency providing assistance to the Nation's small business community. It guarantees commercial loans made by banks and other financial institutions to qualified small concerns unable to obtain credit on their own; it makes direct business loans to certain targeted groups, including businesses located in areas of high unemployment or owned by Vietnam era or disabled veterans, handicapped individuals and organizations employing the handicapped; and it provides direct loans to victims of natural and other disasters. SBA also licenses and regulates small business investment companies, a source of equity and venture capital assistance for small concerns; guarantees payments of small businesses for required pollution control facilities; guarantees surety bonds for small contractors; provides management and technical assistance to firms receiving SBA financial assistance and to other small concerns; and provides procurement assistance to small concerns in buying from and selling to the Federal Government.

Also, Public Law 94-305 established within SBA an Office of Advocacy and a Chief Counsel for Advocacy who is appointed by the President and confirmed by the Senate.

Among its responsibilities, this office:

(1) serves as a focal point for the receipt of complaints, criticisms, and suggestions concerning the policies and activities of the SBA and any other Federal agency which affects small businesses;

(2) counsels small businesses on how to resolve questions and problems concerning the relationship of small business to the Federal Government;

(3) develops proposals for changes in the policies and activities of any agency of the Federal Government which will better fulfill the purposes of the Small Business Act and communicates such proposals to the appropriate Federal agencies;

(4) represents the views and interests of small businesses before other Federal agencies whose policies and activities may affect small business; and

(5) enlists the cooperation and assistance of public and private agencies, businesses, and other organizations in disseminating information about the programs and services provided by the Federal Government which are of benefit to small businesses, and information on how small businesses can participate in or make use of such programs and services.

SBA's Office of Advocacy also conducts economic research, maintains a small business data base, monitors the implementation of various laws such as the Regulatory Flexibility Act, and prepares certain reports for both the Congress and the President.

CHAPTER 2

WHAT IS A SMALL BUSINESS?

The Small Business Act broadly defines a small business as "one which is independently owned and operated and which is not dominant in its field of operation." The Act further provides criteria which the Small Business Administration may use in refining this definition to reflect the differing characteristics in the broad diversity of industries within the small business sector. SBA has developed these industry-by-industry definitions or "size standards" which are set forth in the Code of Federal Regulations at 13 C.F.R. 121. The entire size standard structure was completely revised after four years of efforts and considerable controversy, effective on March 12, 1984. Several revisions in individual industries or industry groups have been made since then. Also, pursuant to provisions of Public Law 99-661 (11/14/86), SBA will, after October 1, 1987, periodically adjust the size standards in certain industries to encourage participation in the Federal small business set-aside program by small concerns in a broader range of industries.

The basic format of SBA's size standards is a general schedule organized by Standard Industrial Classification (SIC) Code. Each of more than 850 industries or SIC codes has its own standard, expressed with one exception in terms of the maximum number of employees or amount of annual receipts a concern may have and still be considered "small." The general schedule is not used for all purposes, however; and numerous modifications, exceptions or alternatives to it for individual SBA programs or other statutory purposes are set forth at 13 C.F.R. 121. Also set forth are various regulatory requirements which are elements of or prerequisite to a given concern being found small for some programs, particularly in the areas of Government procurement and the sale of Government property.

Following is a synopsis of the general schedule by its nine major divisions and a summary of size standards by major program or statutory purpose.

GENERAL SCHEDULE OF SBA SIZE STANDARDS

Agriculture

$0.5 to $3.5 million.
Most concerns with $0.5 million standard.

Mining

500 employees.
$3.5 million.
Most concerns with 500 employee standard.

Construction

$7.0 to $17.0 million.
Most general contractors with $17.0 million standard.
Most special trade contractors with $7.0 million standard.

Manufacturing

500 to 1,500 employees.
Most concerns with 500 employee standard.

Transportation and Public Utilities

500 to 1,500 employees.
$3.5 to $17.0 million.
4.0 million megawatt hours (one industry only).
Most concerns with $12.5 million standard.

Wholesale Trade

100 employees.

Retail Trade

100 employees (one industry only).
$3.5 to $13.5 million.
Most concerns with $3.5 million standard.

Finance, Insurance, and Real Estate

1,500 employees (one industry only).
$1.0 to $10.0 million.
Most concerns with $1.0 million standard.

Services

500 employees (one industry only).
$2.5 to $14.5 million.
Most concerns with $3.5 million standard.

SBA SIZE STANDARDS BY PROGRAM

Business Loans and Loan Guarantees.—General schedule; 25 percent increase permissible when assistance to be used in labor surplus or "redevelopment" areas.

SBIC and MESBIC Financings.—General schedule *or* maximum of $6 million net worth and $2 million average net income after Federal income taxes; 25 percent increase permissible when assistance to be used in labor surplus or "redevelopment" areas.

Development Company Financings.—Same as SBIC's.

Pollution Control Guarantees.—Same as SBIC's.

Disaster Loans.—No size standards for physical disaster loans; standards for economic injury disaster loans same as those for business loans.

Minority Small Business and Capital Ownership Development (8(a)) Assistance.—General schedule.

Surety Bond Guarantees.—Maximum of $3.5 million in average annual receipts for construction concerns or concerns performing

contracts for services; general schedule for concerns seeking other surety bond assistance.

Government Procurement.—General schedule for prime contracts; general schedule for subcontracts exceeding $10,000; a maximum of 500 employees for subcontracts of $10,000 or less.

Sales of Government-owned Timber.—A maximum of 500 employees except in "special salvage" timber sales where the maximum is 25 employees during any pay period in the preceding year.

Sales of Government-owned Property Other Than Timber.—For manufactuers, a maximum of 500 employees, except for petroleum refiners which are limited to 1,500 employees and a 45,000 barrel per day capacity; for non-manufacturers, a maximum of $2 million in average annual receipts; for stockpilers of primarily non-domestic products, a maximum of $42 million in average annual receipts.

Lease of Government Property.—For coal mining, a maximum of 250 employees; for uranium prospecting or mining, a maximum of 100 employees.

Regulatory Flexibility Act (P.L. 96-354).—Agencies usually use the general schedule but may adopt their own standards after consulting with SBA's Office of Advocacy.

Small Business Innovation Development Act (P.L. 97-291).—For concerns soliciting SBIR contracts and funding, a maximum of 500 employees.

Reduced Patent Fees (P.L. 97-247).—A maximum of 500 employees.

Small Financial Institutions.—For the purposes of Secs. 8(d) and 15(g) of the Small Business Act, a small financial institution is a commercial bank or savings and loan association, the assets of which, for the preceding fiscal year, do not exceed $100 million.

CHAPTER 3

SMALL BUSINESS ADMINISTRATION FINANCIAL ASSISTANCE

SBA's specific lending objectives are to: (1) Stimulate competitiveness in the Nation's economy, (2) promote small business' contribution to economic growth, and (3) promote minority enterprise opportunities. SBA business loans help small concerns get started or expand and grow.

Small contractors, manufacturers, wholesalers, retailers, service concerns, and other businesses, including agricultural enterprises, may use SBA assistance to construct, expand, or convert facilities, purchase buildings, equipment, materials or obtain working capital.

SBA may not make a loan if a business can obtain funds on a reasonable basis from a bank or other private source. Applicants must seek private financing from a local bank or other lending institution before applying to SBA.

Applicants for loans must agree to comply with SBA regulations prohibiting discrimination in employment or services to the public, based on race, color, religion, national origin, sex, or marital status.

ELIGIBILITY REQUIREMENTS

There are general requirements all applicants for SBA loan assistance must meet:

1. Good character.
2. Ability to operate his or her business successfully.
3. Sufficient capital in an existing firm so that, with an SBA loan, he or she can operate on a sound financial basis.
4. The loan is of such sound value and so secured as reasonably to assure repayment.
5. Past earnings record and future prospects of the firm indicate ability to repay the loan and other fixed debt, if any, out of profits.
6. Sufficient funds from his or her own resources to have a reasonable amount at stake to withstand possible losses, particularly during the early stages, if the venture is a new business.

LOAN AMOUNTS

Guaranteed Loans

These are loans made by a bank or other financial institution with SBA guaranteeing to pay part of any loss sustained by the lender. SBA emphasizes maximum private lender participation in each guaranteed loan which is made and serviced by the financial institution.

If financing is not otherwise available on reasonable terms, SBA may guarantee up to $500,000 of a commercial loan.

If the loan is $155,000 or less, the guarantee may not be less than 90 percent except for those portions of the loan used to refinance prior indebtedness. For loans exceeding $155,000, the guarantee may not be more than 85 percent nor less than 70 percent unless a guarantee of less than 70 percent would be necessary to ensure that the guaranteed portion of the loan would not exceed $500,000.

Approximately 140 lenders who participate in SBA's "Preferred Lenders Program" are authorized to approve guarantee percentages below those stated above.

The maximum guarantee percentage for loans or portions of loans refinancing prior indebtedness is 80 percent.

Immediate Participation Loans

If the entire loan is not available from a private lender and if an SBA guaranteed loan is not available, SBA can then consider advancing funds on an immediate participation basis with a bank (SBA and the bank each put up a share of the money). The Agency's share of an immediate participation loan may not exceed $150,000 except in unusual situations.

Direct Loans

Direct loans usually may not exceed $150,000 and at times may not be available due to lack of adequate funding. SBA direct loans are made and serviced by SBA personnel.

INTEREST RATES

Guaranteed Loans

Within certain limitations imposed by SBA, the interest rate on guaranteed loans is set by the lending institution provided it is legal under State law. There is a charge for the SBA guarantee; the financing institution pays 2 percent of the amount guaranteed on loans with maturities in excess of one year and ¼ percent of the amount guaranteed on loans with maturities of one year or less. These costs are usually passed on to the borrower.

The interest rate on SBA-guaranteed loans with maturities of seven years or more may not exceed the New York prime rate plus 2¾ percent. The maximum allowable rate on loans with maturities of less than seven years is the New York prime rate plus 2¼ percent.

Interest rates may be either fixed or variable. If a variable interest rate is used, the note must specify an initial interest rate not in excess of the ceilings noted above. Subsequently, the rate may be adjusted as frequently as agreed to in the note, but no more frequently than once a month. Although an adjusted rate may exceed the initial SBA ceiling, it must always rise and fall on the same basis; and the difference between the fluctuating base rate employed and the note rate may not exceed the initial spread. Lenders may use as base rates either the New York prime rate published on the first day of the month or the SBA Optional Peg Rate which is published quarterly and tied to the cost of Government borrowing.

When SBA purchases its share of a defaulted loan, the rate of interest to the borrower on SBA's share will be the same as the rate of interest provided in the note. On those loans with a fluctuating interest rate, the interest charged by SBA will be at that rate in effect at the time of default where a default has occurred, or at that rate in effect at the time of purchase where no default has occurred.

Immediate Participation Loans

Within certain limitations imposed by SBA, the interest on the bank's portion of immediate participation loans is set by the lending institution provided it is legal under State law. It may not exceed the New York prime rate plus 1¾ percent on loans with maturities of seven years or more; on loans with maturities of less than seven years, it may not exceed the New York prime rate plus 1¼ percent.

Interest rates on SBA's portion of immediate participations may not exceed a rate set by a statutory formula relating to the average cost to the Government of borrowing money. As of January 1, 1987, this rate was set at 8⅜ percent.

Direct Loans

Interest rates on most SBA direct loans may not exceed a rate set by a statutory formula relating to the average cost to the Government of borrowing money. As of January 1, 1987, this rate was set at 8⅜ percent. The interest rate on handicapped assistance loans (explained elsewhere in this summary) is 3 percent.

MATURITIES

SBA business loans may be made for up to 25 years plus such time as is needed to complete the acquisition of real estate or the construction of any facilities financed by the loan. However, working capital loans are generally limited to 5–7 years.

Generally, loans must be repaid in equal monthly installments including principal and interest except where the borrower's income is received on an annual or seasonal basis. All or any part of a loan may be repaid without penalty before it is due, except in certain development company financings. The lending institution determines the applicant's repayment ability based upon an analysis of past and projected earnings, the overall debt structure, and the fixed annual obligations the applicant must meet if the loan is approved.

COLLATERAL

The Small Business Act requires that SBA business loans be of such sound value or so secured as reasonably to assure repayment. Security for a loan may consist of one or more of:

(a) Mortgage on land, buildings and/or equipment;

(b) An assignment of warehouse receipts for marketable merchandise;

(c) A mortgage on chattels;

(d) Guarantees or personal endorsements, and in some instances assignment of current receivables.

BUSINESS LOAN POLICY

SBA by regulation has established certain business loan policy guidelines. For instance, amusement and recreational enterprises are eligible for SBA assistance; however, they must be open to the public and properly licensed by the appropriate State or local authority.

A loan may be approved to the purchaser of an existing business if it would aid in the development of a small business, keep it in operation and/or contribute to a well-balanced national economy by facilitating ownership of small business concerns by persons whose participation in the free enterprise system has been hampered or prevented because of economic, physical, or social disadvantages, or disadvantages in business or residential locations.

Generally, SBA will not grant financial assistance if:

1. The funds are otherwise available on reasonable terms from private or Government sources or from the sale of business or personal assets, provided such sale would not cause a hardship.
2. The loan is to (a) pay off a loan to a creditor or creditors of the applicant (particularly to a bank) who are inadequately secured and in a position to sustain loss, (b) provide funds for distribution or payment to the owners of the applicant business, or (c) replace funds previously used for such purposes.
3. The loan would allow speculation in any kind of property.
4. The applicant is a nonprofit enterprise, except certain qualified handicapped assistance organizations or development companies.
5. The applicant is a newspaper, magazine, book publishing company, or similar enterprise.
6. Any of the gross income of the applicant (or of any of its principal owners) is derived from gambling activities, except for those small firms which obtain less than one-third of their income from the sale of State lottery tickets under a State license, or from gambling activities in those States where such activities are legal within the State.
7. The loan would provide funds to an enterprise primarily engaged in lending or investing.
8. The loan would finance real property which is, or is to be, held solely for investment.
9. The loan would encourage monopoly or would be inconsistent with the accepted standards of the American system of free competitive enterprise.
10. The loan would be used to relocate a business for other than sound business purposes.

MORATORIA ON SBA LOANS

In the absence of specific statutory provisions indicating contrary intent, provisions of the Small Business Act permit SBA to assume or suspend for a period of not in excess of 5 years a small business concern's obligation to make the required payments under an SBA loan, providing that without an assumption or suspension the small business would become or remain insolvent and that with the assumption or suspension the small business would become or remain

a viable small business entity. The small business would be required to agree with SBA as to repaying the amounts which became due during the period of the moratorium, and SBA would be authorized to extend the maturity date of the loan for a period to coincide with the moratorium. SBA is authorized to require the borrower to take such action as is appropriate to assure that the rights and interests of the lender will be safeguarded.

GENERAL BUSINESS LOANS

Purpose and Use of Proceeds

SBA guaranteed loans may be used to construct, expand, or convert facilities, including the acquisition of land; purchase buildings, equipment, materials; obtain working capital; or to finance residential or commercial construction or rehabilitation for sale (proceeds may not be used primarily for acquisition of land). General purpose SBA loans are currently available on a guaranteed basis only; funding for direct and immediate participation general business loans was discontinued on October 1, 1985 for budgetary reasons.

Eligibility

A general business loan will not be made unless the financial assistance sought is unavailable on reasonable terms from non-Federal sources. An SBA general business loan must be of such sound value or so secured as reasonably to assure repayment.

To be eligible for general purpose business loan assistance from SBA, a concern must be small as defined by the Agency and for profit. A small business is defined as one which, together with any affiliates, is independently owned and operated, not dominant in its field and meets employment or sales size standards developed by the Agency.

Amount, Interest Rate, and Term of Loans

SBA may guarantee up to $500,000 of a commercial loan. If the loan is for $155,000 or less, the guarantee may not be less than 90 percent except for those portions of the loan used to refinance prior indebtedness. For loans exceeding $155,000, the guarantee may not be more than 85 percent nor less than 70 percent unless a guarantee of less than 70 percent would be necessary to ensure that the guaranteed portion of the loan would not exceed $500,000. The maximum guarantee percentage for loans or portions of loans refinancing prior indebtedness is 80 percent.

The maximum interest rate on guaranteed loans is 2¾ percent above the prime interest rate on loans with maturities of 7 years or more and 2¼ percent above the prime for loans with maturities of less than 7 years.

SBA business loans may be made for up to 25 years plus such time as is necessary to complete the acquisition of real estate or the construction of any facilities financed by the loan. However, working capital loans are generally limited to 5–7 years.

SEASONAL LINE OF CREDIT PROGRAM

Purpose and Use of Proceeds

These loans are for small concerns which have a seasonal loan requirement. Use of the loan proceeds is restricted to meeting increased working capital needs arising from a seasonal upswing in business.

Eligibility

To qualify under this program, an applicant must have been in business at least 12 months prior to application, and must be an eligible small business concern as described in SBA Rules and Regulations, and also qualify as a small business under SBA employment or sales size standards. An applicant's personal and/or business assets are to be used to the greatest extent feasible without causing undue hardship. Requirements regarding availability of private assistance, security, and collateral are the same as those for SBA's general business loan program.

Amount, Interest Rate, and Term of Loan

This assistance is available only under SBA's guarantee program. The SBA may guarantee up to $500,000; however, the amount of the loan cannot exceed the amount needed to overcome working capital deficiencies arising from a seasonal increase in business.

The maximum maturity of these loans is 12 months. The interest rate on these loans is set by the lending institution, subject to a maximum set by SBA. The maximum rate is 2¼ percent above the prime interest rate.

CONTRACT LOAN PROGRAM

Purpose and Use of Proceeds

This program provides guarantee financing exclusively. Use of loan proceeds is limited to labor and materials needed to perform a given contract.

Eligibility

Construction contractors, manufacturers and service contractors who provide specific services under an assignable contract are eligible. They must have been in business for 12 months before making application and must be unable to obtain the required financial assistance without SBA's guarantee. Eligible businesses may apply prior to or after a contract has been received. Detailed information on the bid or contract must be available at the time of application.

Amount, Interest Rate, and Term of Loan

SBA may guarantee up to $500,000; however, the amount of the loan cannot exceed the cost of material and labor needed to comply with the terms of the contract. The bank sets the interest rate subject to the SBA limit. The maximum rate is 2¼ percent above the prime interest rate. These loans are usually for no more than 12 months; however, in the case of large contracts, SBA may approve a term of up to 18 months.

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CONSTRUCTION AND REHABILITATION LOANS

Purpose and Use of Proceeds

This program provides guarantee financing exclusively. Use of loan proceeds is limited to the direct expense of acquisition, immediate construction and/or prompt significant rehabilitation of residential or commercial structures for sale. For this purpose "significant" rehabilitation means rehabilitation costing more than one-third of the purchase price or fair market value at time of loan application. Not more than 20 percent of the loan proceeds can be used for the acquisition of land.

Loan funds cannot be used to purchase vacant land for possible future construction or to operate or hold rental property pending future rehabilitation. Loan funds cannot replace or free applicant's funds for these purposes.

Loan proceeds cannot be used as a construction loan to be repaid with permanent financing if the applicant or its affiliate retains title. The sale of the property must be both a beneficial and a legal change or ownership in the title to the property.

Eligibility

The applicant must be a construction contractor or homebuilder with a demonstrated managerial and technical ability in profitable construction or rehabilitation projects of a comparable type and size. Joint ventures or other organizations that have no history or are organized only for a specified project are not eligible. A portion of the work may be subcontracted, but on subcontracts in excess of $25,000 a 100-percent payment and performance bond may be required.

To qualify under this program, an applicant must be an eligible small business concern as described in SBA Rules and Regulations, and also qualify as a small business under SBA employment or sales size standards. An applicant's personal and/or business assets are to be used to the greatest extent feasible without causing undue hardship, and it must be unable to obtain the required financial assistance without SBA's guarantee.

Amount, Interest Rate, and Term of Loan

SBA may guarantee up to $500,000. The bank sets the interest rate subject to the SBA limit. The maximum rate is 2¼ percent above the prime interest rate. The maximum maturity is 3 years.

Special Considerations

The constructed or rehabilitated structures cannot be rented, in whole or in part, pending sale, without SBA's prior written approval.

SBA must have no less than a second lien on the property as collateral. All prior liens must permit the release of individual parcels upon payment of a predetermined amount (so the buyer of each parcel can get a clear title) and the sum of all liens, including SBA's shall not exceed 80 percent of the fair market value of the completed structure.

SMALL BUSINESS EMPLOYEE OWNERSHIP ASSISTANCE

Purpose and Use of Proceeds

Public Law 96–302 authorizes SBA to guarantee loans to certain employee trusts to enable them to acquire an interest in the small business with which they are associated. Loan proceeds can also be used to enable a small business to finance its corporate growth by obtaining funds from its employee trust even though the trust does not acquire a majority interest in the business.

Eligibility

To qualify for this program, an applicant must be a qualified employee trust which is maintained by a small business concern or by an employee organization which represents at least 51 percent of the employees of such a business. Such trusts are established primarily to invest in certain securities of the business with which they are associated. These securities may be either equity instruments (stock, etc.) or debt instruments (bonds, debentures, notes, etc.). Each employee participant in the plan for which the trust was established must be entitled to direct the vote of his or her share of the securities of the business on corporate matters which must be decided by a majority vote of those securities.

The business with which the applicant employee trust is associated must be an eligible small business concern as described in SBA Rules and Regulations for general business loans, and also qualify as a small business under SBA employment or sales size standards. However, an employee trust may apply for assistance to purchase a business which, by reason of affiliation with another person or entity, is other than small if, after the purchase is accomplished, the business would be an eligible small business.

Requirements regarding availability of credit elsewhere, collateral, and repayment ability are generally the same as those for SBA's general business loan program. SBA can require that the property of a business be available for collateral for a loan to the employee trust with which it is associated. However, the Agency will not require the use of personal assets or guarantees from individual plan participants/employee-owners.

Amount, Interest Rate, and Term of Loan

This assistance is available only under SBA's guarantee program. SBA may guarantee up to $500,000 of a commercial loan to a qualified employee trust. If the loan is for $155,000 or less, the guarantee may not be less than 90 percent except for those portions of the loan used to refinance prior indebtedness. For loans exceeding $155,000, the guarantee may not be more than 85 percent nor less than 70 percent unless a guarantee of less than 70 percent would be necessary to ensure that the guaranteed portion of the loan would not exceed $500,000. The maximum guarantee percentage for loans or portions of loans refinancing prior indebtedness is 80 percent.

The interest rate is negotiated between the borrower and lender with the maximum set by SBA. The maximum interest rate for loans with maturities of 7 years or more is 2¾ percent above the

prime rate. The maximum for loans with maturities of less than 7 years is 2¼ percent above the prime rate.

The maximum maturity of an SBA guaranteed loan to an employee trust is 25 years plus such time as is necessary to complete the acquisition of real estate or construction of facilities.

Special Considerations

The small business employer concern whose securities the employee trust invests in must agree that an employee organization owning less than 51 percent of the voting stock will have a 90-day "right of first refusal" before the business is relocated, sold, liquidated or otherwise loses its identity as an independently owned and operated small business concern. The employer concern must also agree to place no maximum or minimum limits on the percentage of voting stock that the employee organization is allowed to purchase and control.

EXPORT FINANCIAL ASSISTANCE

Purpose and Use of Proceeds

Public Law 96–481 authorizes SBA to guarantee loans to small businesses to finance export assistance. SBA is also authorized to provide extensions and revolving lines of credit to small business concerns to develop foreign markets and for pre-export financing. Proceeds of export assistance loans may be used to finance labor and materials for pre-export production, professional export marketing services, foreign business travel, and participation in trade shows.

Eligibility

Requirements regarding the availability of credit elsewhere, collateral, and repayment ability are generally the same as those for SBA's general business loan program. Applicants for export financial assistance must in most cases, however, have been in operation for at least 12 months before filing an application.

Amount, Interest Rate, and Term of Loan

Export financial assistance is available only under SBA's guarantee program. SBA may guarantee up to $500,000 of commercial financing for export purposes. If the loan is for $155,000 or less, the guarantee may not be less than 90 percent. For loans exceeding $155,000, the guarantee may not be more than 85 percent nor less than 70 percent unless a guarantee of less than 70 percent would be necessary to ensure that the guaranteed portion of the loan would not exceed $500,000.

The interest rate is negotiated between the borrower and lender with the maximum set by SBA at 2¼ percent above the prime interest rate.

The maximum maturity for this type of assistance is 18 months.

Special Considerations

In addition to the guarantee fee which most commercial lenders normally pass on to SBA borrowers (2 percent for loans with maturities in excess of one year and ¼ percent for loans with maturities

of one year or less), the lender may also charge export assistance borrowers a "commitment" fee of ¼ percent of the loan or $200, whichever is greater.

ECONOMIC OPPORTUNITY LOANS (EOL)

Purpose and Use of Proceeds

SBA may make or guarantee loans to small business concerns located in urban or rural areas with high proportions of unemployed or low-income individuals, or which are owned by low-income individuals. EOL loans may be made to established or new businesses. Loan proceeds may be used for the same general purposes as SBA's general business loans.

Eligibility

Applicants must demonstrate that their business is located in a "labor surplus" area, as defined by the Department of Labor, or that their income from all sources (other than welfare) is not sufficient to meet basic needs, or that due to social or economic disadvantage they have been denied the opportunity to acquire sufficient business financing through normal lending channels or on reasonable terms. Honorably discharged Vietnam veterans who are unable to obtain financing on reasonable terms either from usual commercial sources or other SBA financing programs may be eligible.

Applicants must demonstrate the ability to operate a business successfully. There must be reasonable assurance that the loan can be repaid from the earnings of the business.

While character is of more importance than collateral, each applicant is expected to pledge available collateral and have some money or other assets invested in the business.

Amount, Interest Rate, and Term of Loan

SBA may guarantee up to $500,000 of a commercial EOL loan. If the loan is for $155,000 or less, the guarantee may not be less than 90 percent except for those portions of the loan used to refinance prior indebtedness. For loans exceeding $155,000, the guarantee may not be more than 85 percent nor less than 70 percent unless a guarantee of less than 70 percent would be necessary to ensure that the guaranteed portion of the loan would not exceed $500,000. The maximum guarantee percentage for loans or portions of loans refinancing prior indebtedness is 80 percent.

The maximum interest rate on guaranteed loans is 2¾ percent above the prime interest rate on loans with maturities of 7 years or more and 2¼ percent above the prime for loans with maturities of less than 7 years.

Direct loans or SBA's share of immediate participation loans are usually limited to $150,000, although loans of $350,000 can be approved in SBA regional offices in exceptional cases. All direct loan approvals are subject to the availability of funds.

The interest rate on direct loans and SBA's share of immediate participation loans may not exceed a rate set by a statutory formula representing the average cost of Government borrowing. As of January 1, 1987, this rate was set at 8⅜ percent. The maximum

rate on the lending institution's share of an immediate participation loan is 1¾ percent above prime for loans with maturities of 7 years or more and 1¼ percent above prime for loans with maturities of less than 7 years.

SBA business loans may be made for up to 25 years plus such time as is necessary to complete the acquisition of real estate or the construction of any facilities financed by the loan. However, working capital loans are generally limited to 5–7 years.

HANDICAPPED ASSISTANCE LOANS

Purpose and Use of Proceeds

Under this program, the Small Business Administration may make loans in two categories: Loans to nonprofit organizations (HAL–1), and loans to small business concerns owned, or to be owned, by handicapped individuals (HAL–2).

HAL–1 financial assistance is available to public or private nonprofit sheltered workshops, or any similar organization which employs handicapped individuals for not less than 75 percent of the man-hours required, to enable them to produce and provide marketable goods and services. HAL–2 financial assistance is available for the establishment, acquisition, or operation of a small business concern 100-percent owned by handicapped persons.

Eligibility

In order to be eligible to apply for a HAL–1, the nonprofit organization must submit certification that it is organized under the laws of the State, or of the United States, as a nonprofit organization operating in the interests of handicapped individuals.

To qualify for a HAL–2 loan, an applicant must be an eligible small business concern as described in SBA Rules and Regulations, and also qualify as a small business under SBA employment or sales size standards. Applicant's personal and/or business assets are to be used to the greatest extent feasible without causing undue hardship. In the case of HAL–1 and HAL–2, private credit, if available on reasonable terms, must be used before obtaining SBA assistance. Although there are no statutory requirements with respect to collateral or security for such loans, an applicant must pledge whatever collateral or give such guarantees as it can. All HAL loans must be of such sound value or so secured as to reasonably assure repayment. Reasonable prospects of repayment must be indicated; however, the Small Business Act requires that any reasonable doubt be resolved in favor of the applicant.

Amount, Interest Rate, and Term of Loan

SBA may guarantee up to $500,000 of a commercial HAL loan. If the loan is for $155,000 or less, the guarantee may not be less than 90 percent except for those portions of the loan used to refinance prior indebtedness. For loans exceeding $155,000, the guarantee may not be more than 85 percent nor less than 70 percent unless a guarantee of less than 70 percent would be necessary to ensure that the guaranteed portion of the loan would not exceed $500,000. The maximum guarantee percentage for loans or portions of loans refinancing prior indebtedness is 80 percent.

The maximum interest rate on guaranteed loans is 2¾ percent above the prime interest rate on loans with maturities of 7 years or more and 2¼ percent above the prime for loans with maturities of less than 7 years.

Direct loans or SBA's share of immediate participation loans are usually limited to $150,000 although loans of $350,000 can be approved in SBA regional offices in exceptional cases. All direct loan approvals are subject to the availability of funds.

The interest rate on direct handicapped assistance loans or SBA portions of immediate participation HAL's is 3 percent. The maximum rate on the lending institution's share of an immediate participation loan is 1¾ percent above prime for loans with maturities of 7 years or more and 1¼ percent above prime for loans with maturities of less than 7 years.

SBA handicapped assistance loans may be made for up to 25 years plus such time as is necessary to complete the acquisition of real estate or the construction of any facilities financed by the loan. However, working capital loans are generally limited to 5–7 years.

SOLAR AND ENERGY CONSERVATION LOANS

Public Law 95–315 established a loan program to provide financial assistance to small business concerns involved in the design, manufacture, distribution, marketing, installation or servicing of solar energy or other energy conservation equipment.

Purpose and Use of Proceeds

SBA solar and energy conservation loans may be used to assist a small business concern in financing plant construction, conversion, expansion (including acquisition of land for such a plant), or start-up, and the acquisition of equipment, facilities, machinery, supplies, or materials to enable such concern to design architecturally or engineer, manufacture, distribute, market, install, or service eligible energy conservation measures. Loan proceeds may also be used for working capital.

Eligibility

Only those energy measures listed below are eligible for assistance under this program:

1. Solar thermal energy equipment which is either of the active type based upon mechanically forced energy transfer, or of the passive type based on convective, conductive, or radiant energy transfer, or some combination of these types.
2. Photovoltaic cells and related equipment (for example, photovoltaic powered solar irrigation pumps).
3. A product or service, the primary purpose of which is conservation of energy through devices or techniques which can be demonstrated to increase the energy efficiency of existing equipment, methods of operation, or systems which use fossil fuels, and which is on the Energy Conservation Measures List of the Secretary of Energy, or which the Administrator determines to be consistent with the intent of this program. In most

cases the applicant must furnish written evidence satisfactory to SBA demonstrating projected or actual energy savings.

4. Equipment—the primary purpose of which is production of energy from wood, biological waste, grain, or other biomass sources of energy (for example, equipment used to convert wood or waste products into methanol-wood alcohol and equipment used to ferment ethanol-grain alcohol from agricultural products).

5. Equipment—the primary purpose of which is industrial cogeneration of energy (for example, using thermal energy to produce power and using the rejected heat in a thermal process), district heating (for example, using one boiler to heat several buildings), or production of energy from industrial waste (for example, burning waste products to produce energy).

6. Hydroelectric power equipment (for example, using water driven turbines to produce electricity).

7. Wind energy conversion equipment (for example, using windmills to produce electricity).

8. Engineering, architectural, consulting, or other professional services which are necessary or appropriate to aid citizens in using any of the measures described in items 1 through 7 above (for example, a firm which specializes in providing expert advice to others on increasing the energy efficiency of existing facilities).

An energy conservation loan will not be made unless the financial assistance sought is unavailable on reasonable terms from non-Federal sources. The loan must be of such sound value or so secured as reasonably to assure repayment; however, SBA is directed to recognize that greater risks may be associated with loans made to business concerns in this field.

An applicant must be an eligible small business concern as described in SBA Rules and Regulations, and also meet employment or sales standards (size standards) developed by the Agency.

Amount, Interest Rate, and Term of Loans

SBA may guarantee up to $500,000 of an energy conservation loan. If the loan is for $155,000 or less, the guarantee may not be less than 90 percent except for those portions of the loan used to refinance prior indebtedness. For loans exceeding $155,000, the guarantee may not be more than 85 percent nor less than 70 percent unless a guarantee of less than 70 percent would be necessary to ensure that the guaranteed portion of the loan would not exceed $500,000. The maximum guarantee percentage for loans or portions of loans refinancing prior indebtedness is 80 percent.

The maximum interest rate on guaranteed loans is 2¾ percent above the prime interest rate on loans with maturities of 7 years or more and 2¼ percent above the prime for loans with maturities of less than 7 years.

SBA energy conservation loans may be made for up to 25 years plus such time as is necessary to complete the acquisition of real estate or the construction of any facilities financed by the loan. However, working capital loans are generally limited to 5–7 years.

Special Considerations

This program requires SBA to report projected and actual energy savings and number of jobs created by recipients. Applicants and borrowers will, therefore, be required to supply such information.

Generally, funds cannot be used for research and development, which should be completed before the loan application. Where, however, development of a product or service may be completed under a business plan that provides reasonable assurance of repayment, or where the further development of a product or service already on the market is involved, a portion of the loan proceeds not to exceed 30 percent may be used for such purposes.

VIETNAM AND DISABLED VETERANS LOANS

Purpose and Use of Proceeds

Public Law 97-377 and subsequent legislation established a specialized SBA business loan program with direct loans only for the exclusive use of Vietnam era and disabled veterans. Veterans' loans can be made to established or new businesses, and loan proceeds can be used for the same general purposes as those from the Agency's general business loan program.

Eligibility

Veterans eligible for this program include the following:

(1) Vietnam-era veterans who served for a period of more than 180 days, any part of which was between August 5, 1964, and May 7, 1975, and were discharged other than dishonorably.

(2) Disabled veterans of any era with a minimum compensable disability of 30 percent, or a veteran of any era who was discharged for disability.

The small business concern must be owned (a minimum of 51 percent) by one or more eligible veterans.

Management and daily operations of the business must be directed by one or more of the veteran owners of the applicant whose veteran status was used to qualify for the loan.

Only SBA direct financial assistance is available to eligible veterans under this program. Private sector financing and SBA guaranteed loans must be unavailable before a direct loan can be considered.

Amount, Interest Rate, and Term of Loan

Direct loans are usually limited to $150,000, although loans of $350,000 can be approved by SBA regional offices in exceptional cases. All direct loan approvals are subject to the availability of funds.

The interest rate on direct loans may not exceed a rate set by a statutory formula representing the average cost of Government borrowing. As of January 1, 1987, this rate was set at 8⅜ percent.

SBA veterans' loans may be made for up to 25 years plus such time as is necessary to complete the acquisition of real estate or the construction of any facilities financed by the loan. However, working capital loans are generally limited to 5-7 years.

Special Considerations

The veteran status of an individual may only be used once to qualify for an SBA loan. After having received an SBA loan with eligibility based on veteran status, second or refunding loans can be considered only under the general business loan program or based on the ownership by other eligible veterans (51 percent minimum ownership by persons of unused eligibility). Individuals who formerly received SBA loans with eligibility based on veteran status have used their loan benefit and may not be considered for the veterans loan program.

Qualified Vietnam and disabled veterans are, of course, eligible for all other Agency programs as well as special consideration as provided for in Public Law 93-237. SBA has defined "special consideration" to include the following:

(1) In depth management assistance counseling on first interviews. Action will be taken to insure that management assistance personnel advise veterans of SBA's programs and the potential benefits to them.

(2) Emphasis to SBA personnel designated as Veterans Affairs Officers of the need for close cooperation with the local VA offices and organizations having direct interest in veterans' affairs.

(3) Direction of SBA procurement personnel designated as Veterans Procurement Affairs Advisers to emphasize how veterans can obtain procurement contracts from the Government.

(4) Local media campaigns to inform the veteran about SBA's ability and desire to help.

(5) Special workshops and training.

(6) Prompt processing of loan applications of any type.

(7) Particular attention to giving maximum loan maturity to veterans.

(8) Loans will not be declined solely because of the lack of collateral, providing the veteran, dependent, or survivor will provide any worthwhile collateral.

(9) On all direct loans, the placement of a liberal interpretation on present deferment policy.

(10) In the awarding of 8(a) contracts, veteran status may be a contributing factor in establishing eligibility as "socially or economically disadvantaged."

(11) In all district offices there shall be one or more loan specialists designated as veterans loans officers.

LOCAL DEVELOPMENT COMPANIES

Purposes and Use of Proceeds

This program works through a profit or nonprofit corporation formed by local citizens whose primary purpose is to improve their community's economy. They assist in the planned economic growth of the community by promoting and assisting the development of small business concerns in the area.

SBA is authorized to guarantee loans to development companies for projects to acquire land and construct a new plant, purchase necessary machinery and equipment, or acquire, expand, or convert an existing plant, for the benefit of specific identifiable small busi-

nesses. SBA may guarantee up to $500,000 for each business that is to be assisted.

The project can consist of multiple local development company loans, such as in neighborhood business revitalization. However, SBA funds may be used only for developing spaces which will be occupied by identifiable eligible small businesses. Applications for SBA loans must clearly identify the spaces for whose development the SBA funds will be used.

Loan applications are accepted only after demonstration that the proceeds will be used for plant acquisition, construction, conversion, expansion, or for land acquisition, and that the facility will be for the benefit of an identifiable small business concern.

These loans may not be used for working capital or for debt repayment, except interim debt incurred for construction of the project involved.

Income received by the development company through its assistance to the small concerns must be no greater than necessary to repay the SBA/bank loans with interest; to pay taxes and maintenance charges; to recover administrative costs and provide a reasonable reserve for contingencies; and to recover the development company's own capital and expenditures with a reasonable return thereon.

Eligibility

The SBA may make loans to a local development company of either a profit or nonprofit type, provided the company has as its principal purpose the futherance of economic development and provided the company is authorized to assist in the growth and development of small business.

SBA requires that the ownership of a local development company be held by at least 25 individuals of whom 75 percent reside or do business in the specified area of operations, since the organization should be a community undertaking. No more than 25 percent of the control of the development company may be held by: (1) A single individual or affiliates if he or she and the affiliates have a financial interest in the project to be developed (as for example, the contractor who will construct the buildings), or (2) by the holder of any interest in the small businesses being assisted.

The small business to be aided must be an identifiable concern and the loan must be for a sound business purpose. The small business to be assisted generally must meet the criteria for SBA assistance established in SBA's Rules and Regulations.

A local development company loan may not be made by SBA if the funds the development company requests are available from banks or other private lenders. In applying for a loan, the development company must produce certified evidence that the requested funds are not available from such sources.

To the extent that other sources such as banks do have funds available, they may, and frequently do, participate with SBA in helping development companies finance projects.

A development company itself generally is required to provide from non-Federal sources at least 10 percent of the cost of a project, and in any event not less than the amount by which the project cost exceeds the appraised market value. The development

company should be prepared to use these funds before using any proceeds of the SBA loan.

All local development company loans must be so secured as reasonably to assure repayment. The SBA must be satisfied that all property and rights available as security for a loan are of such a nature and value as reasonably to secure the loan.

Amount, Interest Rate, and Term of Loan

SBA may guarantee up to $500,000 of a commercial development company loan. If the loan is for $155,000 or less, the guarantee may not be less than 90 percent. For loans exceeding $155,000, the guarantee may not be more than 85 percent nor less than 70 percent unless a guarantee of less than 70 percent would be necessary to ensure that the guaranteed portion of the loan would not exceed $500,000.

The maximum interest rate on guaranteed loans is 2¾ percent above the prime interest rate on loans with maturities of 7 years or more and 2¼ percent above the prime for loans with maturities of less than 7 years.

SBA development company loans may be made for up to 25 years plus such time as is necessary to complete the acquisition of real estate or the construction of any facilities financed by the loan.

CERTIFIED DEVELOPMENT COMPANY FINANCINGS

Purpose and Use of Proceeds

The Small Business Act authorizes SBA to guarantee 100 percent of all principal and interest as scheduled on debentures issued by certified development companies. These debentures are sold to private investors or to the Federal Financing Bank, part of the U.S. Treasury. The proceeds of these debenture sales are then relent to small businesses to finance plant acquisition, construction, conversion, or expansion, including the acquisition of land. Proceeds may not be used for working capital purposes.

Typically, certified development companies offer second mortgage financing at long-term, fixed interest rates. No more than 50 percent of a project can be financed with certified development company funds; commonly, financing packages include 50 percent funding from a commercial lender, 40 percent from the development company, and 10 percent from the small business concern assisted or some other source.

Certified development companies are authorized by SBA to operate in a defined geographic area up to and including statewide. Although development company jurisdictions sometimes overlap, only one statewide company can operate in a given State.

Income received by the development company through its assistance to small businesses cannot exceed that necessary to repay with interest the debentures it issues, to pay taxes and insurance, and to recover administrative costs.

Eligibility

To qualify for this program, a development company must be chartered in the State where it intends to operate and demonstrate its financial capability as well as its ability to carry out program

objectives. Each certified development company must have at least 25 members or stockholders with representation from each of the following four groups:

(1) government at the level or levels corresponding to the development company's area of operation;

(2) private-sector lending institutions representative of the area of operations such as banks, savings and loan institutions, and others in the business of providing commercial long-term fixed asset financing;

(3) community organizations such as chambers of commerce located within the area of operations, foundations, trade associations, colleges, universities, and other organizations dedicated to economic development; and

(4) business concerns that are representative of the area and the business population within the area.

Certified development companies must also have:

(1) A full-time professional staff with capability to package, process, close, and service its loans;

(2) Professional management ability, including adequate accounting, legal and business-servicing abilities. Business-servicing ability means the ability to provide management advice and services to small business concerns. Such capabilities may be drawn from the staff, the board or membership of the development company or acquired on a contractual basis, from qualified individuals or organizations who reside or do business in the development company's defined area of operation, subject to SBA approval; and

(3) A board of directors, or membership, which meets on a regular basis to make management decisions for the company including decisions relating to the making and servicing of loans by such company. Its board must meet at least quarterly with a quorum of no less than five directors, and it must be representative of the region or community served.

The small business to be aided must be an identifiable concern and the loan must be for a sound business purpose. The small business to be assisted generally must meet the criteria for SBA assistance established in SBA's Rules and Regulations.

A certified development company loan may not be guaranteed by SBA if the funds the development company requests are available from banks or other private lenders on reasonable terms. In applying for a loan, the development company must produce certified evidence that the requested funds are not available from such sources.

Amount, Interest Rate, and Terms of Financing

Development company debentures are issued for the purpose of assisting identifiable small businesses, and SBA must approve each loan to be made from debenture proceeds. The maximum allowable loan amount outstanding to any small business from the proceeds of development company debentures is $500,000. The maximum amount of any loan is further limited to 50 percent of the total cost of the project for which the loan proceeds are intended.

A development company that has demonstrated management ability, adequate financial capacity, and has shown an active use of

this program may, with SBA Central Office prior approval, be allowed to have multiple loans from each debenture.

The amount of a development company debenture cannot exceed the amount of the loan or loans to be made from the proceeds of its sale and associated administrative costs.

The maximum maturity of a development company debenture is 25 years. Debentures sold to private investors are sold in 10- and 20-year maturities; those sold to the Federal Financing Bank (FFB) are normally sold in 15-, 20-, and 25-year maturities.

The interest rate on development company financings depends on that obtained in the debenture sales which underwrite them. Private market sales in January 1987 yielded rates of 7.75 percent on 10-year debentures, and 8.45 percent on 20-year debentures. Although no sales to FFB were held during the same period, rates would have ranged from 7 to 7.5 percent, approximately.

The interest rate on a certified development company loan is slightly higher than its underlying debenture rate, reflecting servicing fees of ½ percent to the certified development company and ⅛ percent or 1/10 percent to a fiscal transfer agent, depending on whether the debenture was sold to FFB or to a private investor, respectively. When specially justified by high servicing costs and only when approved by SBA, the development company can, in unusual circumstances, charge up to 2 percent (instead of the usual ½ percent) for loan servicing.

Special Considerations

Certain one-time loan origination fees and reserve deposits must be paid by small business borrowers using the certified development company program. If the underlying debenture is sold to private investors, these fees total 3.25 percent, with .5 percent being a non-refundable reserve deposit. If the underlying debenture is sold to FFB, the fees total 3.75 percent, including a 2-percent refundable reserve deposit.

POLLUTION CONTROL GUARANTEE FINANCING

Purposes and Use of Proceeds

The Small Business Administration, in cooperation with commercial banks and State agencies, helps small businesses obtain long term and low interest rate financing for required pollution control facilities. SBA is authorized to issue an unqualified guarantee of 100 percent of the payments due under qualified contracts with respect to the planning, design, financing, or installation of pollution control facilities.

Small businesses, because of their generally limited credit history and the smaller size of their financing requirements, are often unable to obtain long term, low interest rate financing through revenue bonds. The high costs and nonproductive nature of required pollution control facilities are often more than small businesses can be expected to handle. SBA, commercial banks, and State authorities make long-term, low interest financing available to well established larger small businesses in much the same manner as corporate giants obtain financing for pollution facilities: through sale of pollution control revenue bonds (tax-exempt or oth-

erwise) issued by a State or municipal authority. This is made possible through SBA's guarantee of the small concern's obligation.

Pollution control financing for several small businesses located in the same State can be combined into a single bond issue. SBA then provides a guarantee of the payments of each small business on the underlying contracts. In those cases where revenue bond financing is uneconomic (i.e., for small amounts) or when the project may not qualify for bonding, financing may be available under other SBA programs.

For the purposes of SBA pollution control financing, the term "qualified contract" means a lease, sublease, loan agreement, installment sales contract or similar instrument between a small business concern or concerns and an individual, corporation, company, association, cooperative, firm, partnership, society, joint stock company, agency, State, territory or possession of the United States or subdivisions thereof.

The qualified contract provides for the acquisition, planning, design or financing of such property (both real and personal) as SBA determines is likely to help prevent, reduce, abate, or control noise, air or water pollution or contamination by removing, altering, disposing, or storing pollutants, contaminants, wastes or heat. The contract must also incorporate various SBA regulatory requirements and, in particular, provide:

For any lien or security interest in the facility that may be determined necessary by SBA;

Identification of the parties; description and location of the facility, the principal basic indebtedness therefor to be guaranteed (exclusive of those costs or expenses listed below), the rate of interest thereon and the number, amount and time of payments, which shall be in substantially equal amounts not less frequently than quarterly;

That the small concern shall pay all costs related to the use, operation, maintenance, repair of, taxes, or other liens on the facility, licenses, insurance of any kind, or any expenses in connection with additions, substitutions, or modifications of the facility or any part thereof, in order that the payments to be guaranteed shall be net of the aforesaid expenses;

That costs or expenses exceeding the estimated costs or expenses set forth in the application shall be borne by the small concern.

Eligibility

Any small business which is or is likely to be at an operational or financing disadvantage with other business concerns with respect to the planning, design, or installation of pollution control facilities or the obtaining of financing for such facilities would be eligible.

The applicant must be able to demonstrate:

That it is a small business under SBA employment or sales size standards,

That it has a pollution problem,

That it is at an operational or financing disadvantage with other businesses,

That it has been in business at least 5 years and has a history of profitable operations in any 3 of the last 5 years, or the equivalent of such a history, and

That the facility to be financed will help prevent, reduce, abate, or control pollution or contamination.

The SBA, the State authority which issues the bonds, and the small business concerns are assisted by commercial banks or other institutions which act as "sponsors" of the small concerns applications for assistance. The sponsor helps the small business concern (usually the sponsor's customer) prepare an application for a guarantee and makes a recommendation to the SBA as to the small business' creditworthiness.

Amount and Maximum Maturity

The repayment period will be in accordance with the applicant's ability to repay, but shall not exceed 30 years.

The financing to be guaranteed shall not exceed $5,000,000 in principal.

Special Considerations

SBA's guarantee is for the full term of the contract and is backed by the full faith and credit of the United States. The guarantee fee is 3½ percent of the minimum annual guaranteed payments under the qualified contract and shall be payable to SBA upon the issuance of the guarantee. The fee of 3½ percent shall not be computed on escrowed funds. The guarantee fee will be computed as follows: total amount of payments (principal and interest) less one-fourth of the average annual payments (escrow) × 3.5 percent.

In addition to the guarantee fee, a processing and administrative fee will be charged on those applications involving industrial revenue bond financing. This fee will be computed as follows: $550 + ($30 × number of years of qualified contract). Each application shall be accompanied by $250 of the processing and administrative fee which is not refundable. The balance of the processing and administrative fee is payable to SBA upon issuance of its guarantee.

SMALL BUSINESS INVESTMENT COMPANIES (SBIC'S)

The SBA helps finance small firms through privately owned small business investment companies. SBIC's are SBA-licensed companies which supply equity capital and long-term loan financing to small firms for expansion, modernization, and sound financing of their operations, as well as venture capital for start-up costs or research and development expenses. They may also provide management assistance. SBIC's must operate within SBA regulations, but their transactions with small companies are private arrangements and have no connection with SBA.

SBIC's invest in practically all types of manufacturing and service industries and in a wide variety of other types of businesses, including construction, retailing, and wholesaling. Many seek out small businesses offering new products or services because they believe these firms have unusual growth potential.

An SBIC finances small firms in two general ways—by straight loans and by venture capital or equity-type investments. In some cases, these investments give the SBIC actual or potential ownership of a minority of a small business' stock. However, SBIC's are generally prohibited from taking a control position in a small concern.

Equity-Type Investments

A major incentive for SBIC's to risk their capital in small businesses is the chance to share in the profits if the businesses grow and prosper. Three types of investments are commonly used by the SBIC's to give them an opportunity to participate in this growth:

Loans with Warrants.—In return for a loan, the small business issues warrants enabling the SBIC to purchase common stock in the company, usually at a favorable price, during a specified period of time.

Convertible Debentures.—The SBIC lends the small business money and in return receives a convertible debenture. The SBIC then can either accept repayment of the loan or can convert the debenture into an equivalent amount of common stock of the small business.

Stock.—The SBIC purchases common or preferred stock from the small business.

Straight Loans

While most SBIC's want an opportunity to share in the growth and potential profits of the small companies they finance, some will make loans which involve no equity features. The small business which obtains a straight loan usually will be required to provide security. This security may take the form of a second mortgage, a personal guarantee or some other type of collateral which may not be acceptable to banks or other conventional lending institutions.

Maximum Amount of Financings

An SBIC may invest up to 20 percent of its private paid-in capital and surplus in a single business. For the smallest SBIC, the maximum loan or investment is $30,000; for the largest, it is more than $8 million. Also, several SBIC's may participate in financing the same small business and thereby increase the maximum investment.

An SBIC often will invest a negotiated amount in a small business and agree to advance additional funds after a specified period of time or after the small company has achieved prestated goals.

Interest Rates

The interest rates on loans or "debt securities" (loans with options to acquire equity positions or which are convertible to equity instruments) are negotiated between the SBIC and the small business borrower, subject to regulatory maximums set by SBA. These ceilings fluctuate and are tied to the so-called "debenture rate," that rate which SBIC's must pay in raising funds through the sale of their SBA-guaranteed debentures.

The maximum interest rate on SBIC loans to small concerns cannot exceed 15 percent if the debenture rate is 8 percent or lower; if the debenture rate is in excess of 8 percent, the maximum loan rate cannot exceed the debenture rate plus 7 percent, but rounded off to the next lowest eighth of 1 percent. Using the January 1987 debenture rate of 7.95 percent, the maximum SBIC loan rate would be 15 percent.

The maximum interest rate on SBIC debt securities cannot exceed 14 percent if the debenture rate is 8 percent or lower; if the debenture rate is in excess of 8 percent, the maximum rate on debt securities cannot exceed the debenture rate plus 6 percent, but rounded off to the next lowest eighth of 1 percent. Using the January 1987 debenture rate of 7.95 percent, the maximum SBIC debt security rate would be 14 percent.

Maturities

Generally, financings may not exceed 20 years and must be for at least 5 years; however, a borrower may elect to have a prepayment clause included in the financing agreement. Financings to businesses owned by disadvantaged individuals may be for as short as 4 years. Certain other exceptions to this general rule are allowed for interim financing, unusual amortization requirements or to aid in the orderly liquidation of a loan.

Special Considerations

SBIC financings are private transactions and, subject to SBA regulations, charges to the business financed are negotiated between it and the SBIC. SBA regulations provide that many such costs to the business, including points, discounts, other "front end" charges, prepayment penalties if front end charges were made, commissions, closing costs and some fees, must be prorated over the term of the financing and, together with interest, cannot exceed the SBA ceilings explained above.

Certain other costs, including reasonable commitment fees, fees for management services and repayment penalties in financings without front end charges and when agreed upon by both SBIC and borrower, do not fall under the SBA interest rate ceilings.

MINORITY ENTERPRISE SMALL BUSINESS INVESTMENT COMPANIES (MESBIC'S)

Minority Enterprise Small Business Investment Companies (MESBIC's) are SBIC's which specialize in providing equity funds, long-term loans and management assistance to small business concerns owned by socially or economically disadvantaged persons. MESBIC's are governed by the same regulations, with some modifications, providing a program that is specially responsive to the needs of the disadvantaged business community.

MESBIC's agree to make investments solely in small business concerns which will contribute to a well-balanced national economy by facilitating ownership in such concerns by persons whose participation in the free enterprise system is hampered because of social or economic disadvantages. In return, MESBIC's enjoy certain advantages in raising their funds, or "leverage," including the ability to sell their stock directly to the Small Business Administration.

CHAPTER 4

SMALL BUSINESS ADMINISTRATION DISASTER LOAN ASSISTANCE

The Small Business Administration, in addition to the financial assistance programs outlined in the preceding chapter, also makes loans to assist in recovery from the effects of natural or other disasters declared by the President, the SBA Administrator, or the Secretary of Agriculture. SBA can also, in certain instances where no such declaration has been made, provide disaster assistance upon a certification of need by the Governor of the affected State.

After disaster strikes, SBA disaster loans provide for the quick restoration of jobs, services, business revenues and taxes, promoting the long-term recovery and health of the community as well as offering assistance to affected individuals.

SBA disaster loans are of two main types: physical disaster loans and economic injury disaster loans.

PHYSICAL DISASTER LOANS

Purpose and Use of Proceeds

SBA's physical disaster loans may be used to restore a victim's primary residence (including a mobile home used as the applicant's primary residence) or business property, as nearly as possible, to predisaster condition. This includes furniture and other eligible household effects or personal property in a residence, and inventory, furniture, fixtures, machinery, equipment and leasehold improvements used in a business. Disaster loan funds may not currently be used to repair or replace secondary homes, their contents, or personal property used primarily for recreation or relaxation.

Eligibility

Home or property owners, residential tenants, businesses of any size and charitable or nonprofit organizations are eligible for SBA disaster loan assistance to repair or replace physically damaged or destroyed property located in declared disaster areas.

Only those persons who suffered the loss, those who owned damaged or destroyed property at the time of the disaster, are eligible for financial assistance. In determining ownership, SBA considers beneficial as well as legal title, assumption of loss provisions, changes in ownership, and other pertinent factors. The loans may be made without regard to other resources; however, a "credit elsewhere" test is used to determine the interest rate on both disaster home loans and disaster business loans.

Amount, Interest Rate, and Term of Loan

Most of SBA's physical disaster loans are direct loans without bank participation. An SBA disaster loan may not exceed the

actual loss suffered by the disaster victim (after deducting any recovery from insurance, the Red Cross, a State grant or other sources) plus eligible refinancing, expenses for code compliance, or eligible relocation expenses. The statutory limit for physical disaster assistance (except for major sources of employment) is $500,000. SBA has also established administrative limits for home and personal property loans.

(1) *Home loans.*—A disaster home loan is limited to a maximum of $100,000 to restore a residence, $20,000 to restore residential contents or other personal property, or $120,000 for both purposes, plus $100,000 for eligible refinancing. The cost of code compliance and eligible relocation expenses are included within these dollar limits.

The interest rate on disaster home loans resulting from disasters beginning on or after October 1, 1982, is determined by the applicant's ability to obtain alternative financing:

(a) For those homeowners (or tenants) unable to obtain credit elsewhere at reasonable rates, the rate may not exceed 4 percent or one-half of a formula rate representing the Government's cost of borrowing plus up to 1 percent, whichever is lower. As of January 1, 1987, this rate was 4 percent.

(b) For those homeowners (or tenants) able to secure alternative financing, the rate may not exceed 8 percent or the full "cost of money" formula rate plus up to 1 percent, whichever is lower. As of January 1, 1987, this rate was 8 percent.

(2) *Business loans.*—A disaster loan to a business is limited to a maximum of $500,000 for real and personal property losses. Refinancing, code compliance, relocation expenses, and all other eligible loan purposes are included in this dollar limitation. An exception to this limit can be made for major sources of employment.

The interest rate on disaster business loans resulting from disasters beginning on or after October 1, 1982, is determined by the applicant's ability to obtain alternative financing:

(a) For those businesses unable to obtain credit elsewhere, the interest rate may not exceed 4 percent, the level in effect on January 1, 1987.

(b) For those businesses able to obtain credit elsewhere, the interest rate may not exceed the lowest of (i) the rate prevailing in the private market for similar loans, (ii) the maximum allowable rate for SBA-guaranteed business loans, or (iii) 8 percent. The rate in effect on January 1, 1987 was 7½ percent.

(3) *Other loans.*—The interest rate on loans to all other applicants may not exceed a rate set by a statutory formula relating to the average interest rate on all Government obligations. As of October 1, 1986, this rate was set at 9½ percent.

Although the interest rates on SBA disaster loans can vary due to fluctuations in the formulae rates to which most are tied, the rates for any given disaster are uniform, being set for that disaster on the day of its commencement.

SBA may limit any disaster loan to an amount that the applicant can repay. The maturity of SBA disaster loans may not exceed 30 years. However, SBA may require that the loan be repaid in a shorter time, based upon an applicant's ability to repay. Normally, payments must be made in equal monthly installments of principal

and interest; the first payment is due within 5 months of disbursement. Other repayment terms can be arranged in special circumstances.

The maturities of loans to businesses able to secure alternative financing are usually limited to three years.

Special Considerations Regarding Disaster Loans

(1) Although physical disaster loans must be repaid, there is no specific statutory requirement as to the amount of collateral, if any, that must secure them. Administratively, SBA makes most loans of $5,000 or under on an unsecured basis. On loans in excess of $5,000, SBA requires that any available collateral be pledged to secure these loans. A disaster loan cannot be declined solely because no collateral is available or because available collateral is inadequate to secure the loan.

(2) SBA disaster loan funds may not be used to replace extraordinarily expensive or irreplaceable items such as antiques, coin and stamp collections, rare paintings, book collections, extensive wardrobes, etc.

(3) All SBA disaster loans to restore or replace real or personal property which is, or will be, located within a special flood hazard area must be covered by Federal Flood Insurance before any loan funds can be disbursed.

(4) SBA does not consider the age of a disaster victim in determining whether a disaster loan may be made.

(5) When a disaster causes damage of 40 percent or more of the predisaster fair market value of real property, prior recorded mortgages secured by the damaged property may be eligible for refinancing to avoid undue hardship. However, the amount of refinancing may not exceed the amount of physical loss sustained.

(6) Whenever a disaster victim cannot get a building permit, or is unable to restore his or her property at the disaster site for other reasons, the cost of relocation may be eligible.

(7) SBA disaster loans can be used only to restore property to its "predisaster" condition. Therefore, upgrading (for example, building a larger building) would be an ineligible use of disaster loan proceeds. Structural or other changes which are necessary to comply with building construction or safety codes are not considered to be upgrading.

ECONOMIC INJURY DISASTER LOANS

Purpose and Use of Proceeds

In areas hit by natural or other disasters, determined by the President, the Secretary of Agriculture, or the Administrator of SBA, small firms suffering substantial economic injury are eligible for SBA loans. In the event that a natural disaster was not of sufficient severity to result in one of these three disaster declarations, SBA may still provide disaster loan assistance upon the direct request of the Governor of the State involved.

Loan funds may be used to provide working capital and to meet short-term financial obligations that the borrower would have been able to meet if not for the disaster.

Eligibility

Unlike physical disaster loans which are available without consideration of the nature or size of the applicant, only for-profit small business concerns are eligible for economic injury loan assistance. Also, in the case of economic injury disaster loans, SBA requires personal and/or business assets to be used by the applicant to the greatest extent feasible, without undue hardship, to alleviate the injury incurred. In addition, SBA requires private credit, to the extent obtainable on reasonable rates and terms, to be used prior to obtaining disaster loan assistance from the Agency.

Amount, Interest Rate, and Term of Loan

The maximum amount of an economic injury loan (or the combination of a physical and an economic injury loan) is $500,000, unless the applicant is a major source of employment as defined in SBA's rules and regulations. The loan may be made for up to 30 years.

The interest rate on direct economic injury loans may not exceed 4 percent.

CHAPTER 5

OTHER SMALL BUSINESS ADMINISTRATION ASSISTANCE

SURETY BOND GUARANTEE PROGRAM

Small business contractors and subcontractors who seek public (and some private) construction jobs are often required to furnish surety bonds. Because of surety industry underwriting standards and other circumstances, many small contractors are unable to obtain such bonding and are thereby precluded from participating in the very projects which could help them develop capability to obtain necessary bonding. SBA can help a small concern break out of this cycle by extending a guarantee to a surety against losses in order to make bonding more easily available. Guarantees can be extended on bid, payment or performance bonds.

In addition to helping small business concerns, the surety bond program encourages competition in the bidding process which results in significant savings to the Government and taxpayers in final contract prices. Although most SBA surety bond guarantees are written for construction and related contracts, the program is also open to qualified small concerns requiring bonding on contracts for goods or services. Also, bonding lines for multiple contracts can be approved.

Eligibility

In order to be eligible to receive SBA's guarantee on a bond, a surety must be included on the U.S. Department of Treasury's list of qualified sureties or be otherwise approved by SBA.

In order to be eligible for surety bond guarantee assistance, a small concern must meet the following requirements:

(1) The concern must be a small business under SBA regulations. Generally, a contractor is small if its average annual receipts do not exceed $3.5 million.

(2) All owners, officers, directors or partners in the concern must be of good character and reputation, as determined by SBA.

(3) The concern must certify that a bond is required in order to bid on a contract or to serve as a prime contractor or subcontractor thereon.

(4) The concern must certify that bonding is not obtainable on reasonable terms and conditions without SBA's bond guarantee.

Amount of Guarantee

SBA may extend to a surety a guarantee of up to 80 percent against losses on qualified contracts for up to $1,250,000.

Other Considerations

The surety company pays SBA a guarantee fee of 20 percent of its bond premium. The small business contractor or subcontractor pays SBA a guarantee fee of 0.6 percent of the contract price upon obtaining it.

The maximum bond premium which a surety may charge a small concern for an SBA-guaranteed surety bond is 1.8 percent of the contract price or bond amount, whichever is greater.

PROCUREMENT AND TECHNICAL ASSISTANCE

The purpose of the Small Business Administration's Procurement and Technical Assistance Programs is to make certain that small business obtains its fair share of Government purchases and contracts or subcontracts.

The Prime Contracts Program

SBA has procurement center representatives stationed at all Federal installations, both military and civilian, which have major buying programs, and some assigned on a liaison basis to installations with smaller, but still significant, buying programs.

Such installations submit to SBA's procurement center representative for independent review all requirements which are over $2,500 and are not to be processed as restricted to small business only.

If at all possible, procurement center representatives will recommend that such requirements (including those for architectural and engineering services, research, development, testing and evaluation) be processed as small business set-asides. This means that the procurement would be restricted to small business firms only, and large business firms would not be permitted to submit bids or proposals on the procurement.

Certain criteria must be satisfied before a small business set-aside is authorized. There must be a reasonable expectation that the contracting officer will receive offers from two or more responsible small businesses offering the product or service at a reasonable price. Generally, contracts for the procurement of goods and services of less than $25,000 and subject to small purchase procedures are reserved for small business.

If the procurement center representative's screening indicates that the set-aside criteria cannot be satisfied, then the representative will attempt to provide small business sources and encourage the widest possible small business participation in the procurement. The procurement regulations require the buying activity to send copies of the solicitations to these SBA added sources.

When the procurement center representative recommends that a requirement be procured under a small business set-aside, and that recommendation is rejected by the contracting officer, or when the recommendation of the small business specialist of the installation for a set-aside is rejected by the contracting officer, the SBA has the right to appeal this rejection to the Secretary of the Department or head of the agency involved.

The procurement center representative also looks for provisions or procedures which may inhibit, restrict, or discourage small busi-

ness firms from submitting offers. When any of these are identified, the representative will do all he or she can to get the provision modified or relaxed so as to give small business a better chance to participate and win the contract award.

In addition to the procurement center representatives, all SBA offices provide information, guidance and counseling to small businesses on procurement matters.

SBA's computerized Procurement Automated Source System (PASS) lists the names of small companies and their capabilities and is available to assist Federal procurement officers and procurement officials of private contractors find small companies to do Federal work. Small businesses interested in adding their name to PASS can get the required registration form at any of the more than 100 SBA offices located throughout the country. PASS computer terminals are located in SBA's 10 regional offices and in the offices of Federal procurement officials and private prime contractors.

The Subcontracting Program

Congress has established a subcontracting program to (1) enable small business concerns and small business concerns owned by the disadvantaged to be considered fairly as subcontractors and suppliers to contractors performing work as prime contractors under Government contracts; (2) insure that such prime and subcontractors will cooperate with the appropriate procurement agency and with SBA; and (3) enable SBA to obtain from any Government agency information concerning subcontracting by its prime contractors and their subcontractors.

Contracts which exceed $10,000 must contain a "best efforts" clause, requiring the prime contractor to accomplish the maximum practicable amount of subcontracting to small and small disadvantaged businesses. In most procurements over $500,000 ($1,000,000 for construction), large contractors are required to formulate a detailed subcontracting plan, to be included in the prime contract, which requires certain specified activities the prime contractor must undertake to insure that small and disadvantaged firms receive the maximum opportunity to participate in the performance of the contract. SBA reviews contractor performance under these plans.

The Certificate of Competency (COC) Program

If a contracting officer proposes to reject an offer of a small business firm which is the apparently successful offeror because the officer questions the firm's responsibility to perform the contract, the case is referred to SBA.

On receipt of a Certificate of Competency application, the contracting officer of the procuring agency is notified that the potential contractor has applied, and a team of SBA financial and technical personnel is normally sent to the firm to survey its potential. Credit ratings, past performance, management capabilities, management schedules, production and technical capabilities and the prospects for obtaining needed financial help or equipment are all considered.

If the financial position of the firm is weak, if critical equipment is absent, or if the management effort is inadequate, the regular assistance programs of SBA (loans, management counseling, assistance in locating equipment, etc.) may be applied to strengthen capability. If it appears that the firm has the credit and productive capacity required to fulfill the contract, with or without SBA assistance, the team's findings will be presented to a COC Review Committee.

If the Review Committee decides in the affirmative, a letter certifying responsibilities of the firm to perform the subject contract (the Certificate of Competency) is sent to the procuring activity. By terms of the Small Business Act, the Certificate of Competency is conclusive and the contract must be awarded to the small firm.

A Certificate of Competency is valid only for the specific contract for which it is issued. A business concern which is capable of handling one contract may not be qualified to handle another.

Certification of Eligibility Under the Walsh-Healey Act

In addition to satisfying questions of responsibility to perform the contract, an offering company on a Government contract must also show that it is "eligible" to receive a contract award. One element of eligibility is the requirement that all potential contractors for the supply or manufacture of items must meet the criteria found in the Walsh-Healey Public Contracts Act, 41 U.S.C. 35, et seq.

That Act requires that in all Government contracts in excess of $10,000 there must be a stipulation that "the contractor is the manufacturer of, or a regular dealer in, the materials, supplies, articles, or equipment to be manufactured or used in the performance of the contract." Rules and regulations of the Department of Labor require that a procurement officer must reject bids from a bidder who is not a "manufacturer or dealer" within the meaning of the statute. If the procurement officer believes that an otherwise qualified small business concern is in violation of the Walsh-Healey Act, this finding must be referred to SBA which is given the authority to either dismiss the finding and direct the officer to award the contract, or if it concurs, submit the finding to the Department of Labor for final disposition. It does not, however, in any way change the requirements of this Act; it merely provides for their uniform application in all areas of the United States.

The SBA is to administer and enforce the rules and regulations promulgated by the Department of Labor that pertain to the Walsh-Healey Public Contracts Act when certifying as to whether a small business concern meets the provisions of section 35(a) of title 41, United States Code.

The Property Sales Program

The Federal Government sells large quantities of many kinds of real and personal property which are surplus to Federal needs and resources which are authorized for sale in accordance with public law. SBA cooperates with other Federal agencies to channel a fair share of this property and these resources to small business.

SBA's property sales assistance to small business includes providing counsel to small business on matters pertaining to Government

property sales and helping small business obtain a fair share of Government property sales.

Five categories of Federal property are covered by the program:

(1) Timber and related forest products. SBA, the U.S. Forest Service and the Bureau of Land Management work together in insuring opportunities for small business concerns to bid on Federal timber sales. In addition, SBA and the sales agencies jointly set aside timber sales for bidding by small concerns when it appears that under open sales, small business would not obtain its fair share.

Local district offices of the Forest Service also offer smaller timber sales. These sales are normally purchased by small business and are not usually reviewed for set-aside.

(2) Strategic materials from the national stockpile.

(3) Royalty oil. Royalties due the Government under lease of Federal oil rights for the exploration of oil may be accepted by the Secretary of the Interior in the form of oil or money. If the Secretary elects to accept oil in lieu of money, the oil is identified as "royalty oil."

Further, when the Secretary of the Interior determines that sufficient supplies of crude oil are not available in the open market to small business refineries, preference may be granted to these refineries for the processing or use of such oil.

(4) Leases involving rights to minerals, oil and vegetation. SBA and the sales agency may jointly set aside a reasonable number of leases for bidding by small concerns when it appears that under open bidding small business would not obtain its fair share.

(5) Surplus real and personal property. The Federal Government disposes of property for which it has no foreseeable need. Such property is first made available for donation to recipients authorized by law, such as educational and public health facilities, State and local governments, etc. The remainder is sold. SBA helps small business to locate and obtain its fair share of Federal surplus property.

Labor Surplus Area Set-Aside Contracts

Public Law 95–89, approved on August 4, 1977, established a priority for awarding contracts and placing subcontracts to concerns which perform a substantial proportion of the production on those contracts and subcontracts within areas of concentrated unemployment or underemployment or within labor surplus areas. The law also authorizes total labor surplus area set-asides if it is specifically determined that there is a reasonable expectation that offers will be obtained from a sufficient number of eligible concerns so that awards be made at reasonable prices.

As redirected by Public Law 96–302, in carrying out labor surplus area and small business set-aside programs, departments, agencies, and instrumentalities of the executive branch are to award contracts, and encourage the placement of subcontracts for procurement to the following in the order stated:

(1) concerns which are small business concerns and which are located in labor surplus areas, on the basis of total set-aside;

(2) concerns which are small business concerns on the basis of a total set-aside;

(3) concerns which are small business concerns and which are located in a labor surplus area, on the basis of a partial set-aside; and

(4) concerns which are small business concerns, on the basis of a partial set-aside; and

(5) businesses which are not small business concerns and which will perform a substantial proportion of the production on those contracts and subcontracts within areas of concentrated unemployment or underemployment or within labor surplus areas.

MINORITY SMALL BUSINESS PROGRAMS

The Small Business Administration's Minority Small Business and Capital Ownership Development Program coordinates the Agency's combined efforts to make more business opportunities available to minority individuals. This program brings together all SBA's services and those of private industry, banks, local communities and other Government agencies to substantially increase the number of and opportunities for minority owned businesses. Potential or established minority business owners can apply for assistance under the programs offered.

Types of Assistance Offered

Community Development.—Local groups interested in stimulating the planned economic growth of their community by aiding other small businesses in their area are given help in forming local development companies. This program is discussed under the section on development companies.

The 8(a) Program.—SBA acting as prime contractor subcontracts to small firms owned and controlled by economically and socially disadvantaged individuals which are interested in obtaining Government contracts. In addition, management and technical help is included in this service. The 8(a) program assists in the expansion and development of existing, newly organized, or prospective profit-oriented small business concerns owned and controlled by eligible disadvantaged persons.

Through this program those eligible firms are assisted in developing the capability to compete effectively in the Nation's marketplace.

Section 8(a) of the Small Business Act authorizes SBA to enter into contracts with the United States Government and any Federal department, or agency for their procurement needs. This authority, together with other financial, technical and management resources at its disposal, allows SBA to contract to supply their goods, services and construction needs by subcontracting for the actual performance of the work to 8(a) companies. The firms which are awarded 8(a) contracts must receive management and technical help in the planning and start-up stages of the business, and must participate in a "Capital Ownership Program" as a condition of receiving 8(a) contracts.

Small business concerns owned and controlled by one or more persons who have been deprived of the opportunity to develop and maintain a competitive position in the economy because of social and economic disadvantage may apply. This category may include, but is not limited to, Black Americans, American Indians, Hispanic Americans, Eskimos, Aleuts, Asian-Pacific Americans and Asian-Indian Americans.

Among the basic eligibility requirements for participation in the 8(a) program are: The principals of the firms being developed must be persons of good character; they are expected to be engaged full-time in day-to-day business operations and management; there can be no absentee ownership. Further, the principals of applicant concerns must represent only one company and must not have had their eligibility previously approved by SBA for another 8(a) concern. Small business concerns must submit a business plan with specific targets, objectives, and goals aimed at correcting the economic impairment which, in part, qualified the firm for the 8(a) program, and containing a graduation date from the program. All eligible persons must be primary recipients of the program's benefits and objectives. Most importantly, the firms or businesses involved in the program must be operated for profit.

Financial Assistance.—SBA can make direct business loans to minority borrowers when funds are available. Minority small business loans can be made under any of SBA's business loan programs; however, a specific amount of direct loan funding and loan guarantee authority is reserved only for businesses located in areas of high unemployment or businesses owned by low-income individuals. More than three-fourths of these "economic opportunity" loans go to minority businesses.

Management Asssistance.—In addition to SBA's own management assistance specialists, the agency can contract for private sector business consultants to counsel businesses owned by economically and socially disadvantaged individuals or businesses located in areas of high unemployment.

Long Term and Equity Capital.—Specialized investment companies may provide equity funds, long-term loans and management assistance to small firms owned by socially or economically disadvantaged persons. This program is discussed in the section on small business investment companies (SBIC's).

Bonding Assistance to Construction Firms.—Minorities can benefit from surety bond guarantees up to $1,250,000 on construction contracts. Contract financing may be available to any small firm with an assignable contract. The surety bond guarantee program is discussed in its section.

SMALL BUSINESS INNOVATION RESEARCH PROGRAMS

In 1982, Congress enacted P.L. 97-219, the Small Business Innovation Development Act, establishing a Government-wide research program reserved exclusively for small businesses. The program is patterned after a highly successful initiative introduced on a pilot basis at the National Science Foundation in 1977 to encourage small business participation in applied research with potential for commercial application. Originally scheduled to sunset on October

1, 1988, the Act was reauthorized through 1993 by the 99th Congress. The purpose of the Act is four-fold: (1) to stimulate technological innovation; (2) to use small business to meet Federal research and development needs; (3) to foster and encourage participation by minority and disadvantaged persons in technological innovation; and (4) to increase private sector commercialization of innovations derived from Federal research and development.

The Act authorizes two programs. The Small Business Innovation Research (SBIR) Program is the larger of the two, and has stimulated a great deal of national and international interest. Each Federal agency with an extramural research and development (R&D) budget which exceeds $100 million annually is required to establish an SBIR Program utilizing 1.25 percent of its R&D budget for exclusive competition among small businesses. Each agency publishes a broad list of topics on which research projects are solicited. Phase I awards of up to $50,000 are available for those projects judged by a peer review panel as most meritorious. Project review also considers commercial potential. Phase I projects that show exceptional promise may compete for phase II awards of up to $500,000. A third phase involves private sector investment for commercialization purposes, or, when appropriate, follow-on production contracts for future use by Federal agencies. At the present time, 12 agencies have established SBIR Programs, and competition has been exceptionally high.

A second program established by the Act requires each agency with an R&D budget in excess of $20 million to establish annual goals for small business participation in research and development activities. Goals cannot be less than the agency's achievement in the preceding year.

The SBA has a major role in the implementation, conduct, and review of these two programs. SBA develops and issues policy directives for Government-wide implementation of the SBIR Program and administers an information and outreach program. SBA also maintains a mailing list of small high technology firms and publishes a presolicitation announcement in December, March, June, and September with details on SBIR solicitations about to be released. This publication eliminates the need for small business concerns to track the activities of each participating Government agency.

SBA has developed a Commercialization Matching System (CMS) to assist small firms in their efforts to locate funding sources essential to commercialize innovative technologies and products. The system contains information on SBIR awardees and on sources of financing that have indicated an interest in investment in SBIR innovations.

Firms interested in obtaining more information on these programs or receiving the SBIR presolicitation announcement should contact the Office of Innovation, Research & Technology in SBA's Central Office in Washington, DC.

BUSINESS DEVELOPMENT ASSISTANCE

SBA's business development assistance programs support SBA loan recipients and other small business owners/managers through

individual counseling, management training and publication of guidance materials. These programs are keyed to furthering the establishment, growth and success of small businesses. It is estimated that managerial deficiencies cause 9 out of 10 business failures.

SBA's business development programs provide help in developing business plans, identifying management problems and formulating solutions. The programs are coordinated by business development specialists in each SBA office who rely heavily on national volunteer organizations such as the Service Corps of Retired Executives (SCORE) and the Active Corps of Executives (ACE) as well as the Small Business Development Center (SBDC) and Small Business Institute (SBI) networks to expand their capability for individual counseling. Frequent informational and training seminars, conferences and other meetings are sponsored by or coordinated through SBA's business development programs.

Small Business Development Centers

Small Business Development Centers (SBDC's) were formally authorized by Public Law 96-302, although the program began on a pilot basis in 1976. By 1986, the program had expanded to 49 operating SBDC's in 43 States, the District of Columbia, Puerto Rico and the Virgin Islands. Additional branch centers are located throughout the States at colleges, universities, and local government offices, as well as in selected locations such as downtown storefronts easily accessible to small business clients.

SBDC's leverage Government resources by drawing together university and private sector participants to provide management and other assistance to small business. SBA is authorized to make grants of up to 50 percent of the cost of developing and operating such centers, provided they meet certain conditions. These include conformity with an areawide plan approved by the State and by SBA, the maintenance of a full-time staff, and the capability to perform or provide certain enumerated services.

SBDC's assist small businesses in solving problems concerning operations, manufacturing, engineering, technology exchange and development, personnel administration, marketing, sales, merchandising, finance, accounting, business strategy development, and other matters. This type of problem solving is needed by small concerns in order to foster growth and expansion, innovation, increased productivity, management improvement, and decreased industry concentration.

Services provided by an SBDC include: One-on-one counseling; assisting in technology transfer; maintaining information pertaining to Federal, State, and local regulations and providing assistance to small concerns with regulatory compliance; conducting and coordinating research into technical and general small business problems; providing a library containing current information and data needed by local small businesses; maintaining a working relationship with the financial and investment communities and small business groups; conducting surveys for local small business groups to develop information pertaining to the local economy and the status of small business in that locality; and maintaining lists of local and regional private consultants and testing laboratories to which smaller businesses may be referred for assistance.

The SCORE/ACE Programs

SCORE (Service Corps of Retired Executives) is an organization of approximately 10,000 retired business executives—men and women of varied business and professional backgrounds—who volunteer their services to help small business owners solve their problems. Assigned SCORE counselors visit a business and analyze its problems. On a complex problem, other volunteer experts may be asked to assist. Finally, in consultation with the owner, a solution is formulated and the owner is helped through any problems in its implementation.

ACE (Active Corps of Executives) augments SCORE's services and keeps management counseling on a continually updated basis. Its more than 2,000 members are active executives from all major industries, professional and trade associations, educational institutions, and many of the professions. They volunteer their specialized kinds of expertise, not found in every SCORE chapter, whenever they are needed.

The Small Business Institute (SBI) Program

With the cooperation of faculty members and students of more than 500 of the Nation's leading schools of business, the SBI Program provides long-term (quarter or semester) personal counseling to small business owners. The program both assists small business and has given valuable practical experience to the student-counselors, many of whom contemplate going into small business after graduation. It has improved college-community relations while providing valuable services to its small business community.

Although participation in the SBI Program is primarily for SBA clients (loan recipients and holders of 8(a) contracts) in some localities, other business owners are frequently able to receive this service.

Section 7(j) or "Call Contracts" Program

SBA places contracts with professional consulting firms providing management and technical aid to certain clients: those who require technical or other assistance not available otherwise, and who meet the eligibility requirements for economic opportunity loans or section 8(a) of the Small Business Act (procurement assistance for the disadvantaged). The program also allows SBA to initiate, organize and maintain this management counseling service for small firms as required.

In general, eligible recipients of the counseling services include "socially and economically disadvantaged individuals or firms" and "individuals or firms located in areas of high unemployment."

The consulting firm provides advice and counsel in establishing a proper recordkeeping system and any other management function such as production, engineering, et cetera; legal services and specialized management training.

Participating call contract consulting firms who can perform these needed services must be established small firms at the time of proposal and must meet the standards set out in the Request for Proposals.

Management Training and Management Publications

To reach the greatest possible number in the small business community, SBA cosponsors management training with universities, colleges, distributive education units, trade and professional associations, chambers of commerce, and local business organizations. In some communities, management training is also offered over commercial and educational TV stations.

To meet local small business needs, SBA's management training program encompasses four types of training for present and prospective small business owners: courses, conferences, problem clinics, and prebusiness workshops.

To help small business owners and managers keep abreast of modern management techniques and maintain efficient management policies, SBA issues hundreds of management, technical, and marketing publications on subjects of interest to small business owners, and presents facts and figures in brief, readable, nontechnical form. Professionals in many business areas as well as members of the academic community contribute their work as a public service to the needs of small firms.

International Trade Assistance

A significant growth potential for the small business community exists through international trade. By successfully marketing its products overseas, the well-managed and financially sound small business can achieve added profit and increased utilization of existing production capacity. Through programs of specialized international trade counseling, training and publications, the SBA is seeking to inform small businesses of trade opportunities and procedures involved in selling abroad. The Agency is working with other Federal and State agencies and the private sector to develop an integrated program of international trade assistance which meets the needs of small business.

Public Law 96–481 established within SBA an Office of International Trade to coordinate the agency's efforts in this area. The Act further provides for a full-time export development specialist in each of SBA's 10 regional offices.

APPENDIX 1

SBA ACTIVITY LEVELS: FISCAL YEARS 1980–87

[In millions of dollars]

	1980 actual	1981 actual	1982 actual	1983 actual	1984 actual	1985 actual	1986 actual	1987 program
General business loans:								
Direct and immediate participation	219	205	115	86	90	77	0	0
Guaranteed	2,961	2,805	1,517	2,094	2,464	2,315	2,130	2,473
Total	3,180	3,010	[1] 1,631	2,180	2,554	[1] 2,393	2,130	2,473
Handicapped assistance loans:								
Direct and immediate participation	20	25	13	15	16	24	14	15
Guaranteed	([2])	2	1	2	([2])	1	1	5
Total	20	27	14	17	16	[1] 24	15	20
Economic opportunity loans:								
Direct and immediate participation	63	49	22	17	19	15	14	24
Guaranteed	25	20	13	31	41	43	32	56
Total	88	69	35	[1] 47	60	58	46	80
Solar and energy conservation loans:								
Direct and immediate participation	14	7	1	([2])	([2])	([2])	0	0
Guaranteed	11	7	1	3	2	1	0	14
Total	[1] 26	14	[1] 3	[1] 4	2	1	0	14
Vietnam and disabled veterans loans:								
Direct				6	20	9	19	19
Guaranteed								
Total				6	20	9	19	19
Development company loans:								
Direct and immediate participation	45	6	0	0	0	4	0	0
Guaranteed	30	67	100	296	348	308	353	373
Total	75	73	100	296	348	312	353	373
Small business investment companies:								
Direct	32	41	26	27	38	44	39	39
Guaranteed	149	160	134	160	160	265	136	233
Total	181	201	160	187	[1] 197	309	175	272
Business loan and investment fund:								
Direct and immediate participation	393	333	177	151	182	173	86	97
Guaranteed	3,176	3,061	1,766	2,586	3,016	2,932	2,652	3,154
Total	3,569	3,394	[1] 1,942	[1] 2,736	[1] 3,197	3,105	2,738	3,251
Disaster loans:								
Physical and economic injury	1,118	1,473	237	199	314	268	510	([3])
Nonphysical	119	49	0	0	0	51	6	0
Total	1,237	1,522	237	199	314	[1] 318	516	([3])
Pollution control guarantees	99	100	51	8	11	7	26	75
Surety bond guarantees	1,534	1,382	764	567	571	959	1,044	1,096
Salaries and expenses	216	225	226	298	263	277	284	287
OMB-imposed permanent employee ceiling	4,807	4,275	4,036	3,924	3,934	4,059	4,009	3,940

[1] Rounding accounts for discrepancy. [2] Less than $500,000. [3] Open ended subject to availability of funding.

APPENDIX 2

SBA FIELD OFFICES

REG	TYPE	CITY	ST	ZIP	ADDRESS		PUBLIC PHONE
01	RO	BOSTON	MA	02110	60 BATTERYMARCH STREET	10TH FLOOR	(617)223-3204
01	DO	AUGUSTA	ME	04330	40 WESTERN AVENUE	ROOM 512	(207)622-8378
01	DO	BOSTON	MA	02114	10 CAUSEWAY STREET		(617)565-5590
01	DO	CONCORD	NH	03301	55 PLEASANT STREET	ROOM 209	(603)225-1400
01	DO	HARTFORD	CT	06106	330 MAIN STREET	2ND FLOOR	(203)722-3600
01	DO	MONTPELIER	VT	05602	87 STATE STREET	ROOM 205	(802)828-4474
01	DO	PROVIDENCE	RI	02903	380 WESTMINISTER MALL	5TH FLOOR	(401)528-4586
01	BO	SPRINGFIELD	MA	01103	1550 MAIN STREET	ROOM 212	(413)785-0268
02	RO	NEW YORK	NY	10278	26 FEDERAL PLAZA	ROOM 29-118	(212)264-7772
02	POD	ALBANY	NY	12207	445 BROADWAY	ROOM 236-B	(518)472-6300
02	POD	CAMDEN	NY	08104	2600 MT. EPHRAIN AVE.		(609)757-5183
02	POD	ROCHESTER	NY	14614	100 STATE STREET	ROOM 601	(716)263-6700
02	POD	ST. CROIX	VI	00820	4C & 4D ESTATE SION FARM	ROOM 7	(809)773-3480
02	POD	ST. THOMAS	VI	00801	VETERANS DRIVE	ROOM 210	(809)774-8530
02	DO	HATO REY	PR	00918	CARLOS CHARDON AVE.	ROOM 691	(809)753-4002
02	DO	NEW YORK	NY	10278	26 FEDERAL PLAZA	ROOM 3100	(212)264-4355
02	DO	NEWARK	NJ	07102	60 PARK PLACE	4TH FLOOR	(201)645-2434
02	DO	SYRACUSE	NY	13260	100 S. CLINTON STREET	ROOM 1071	(315)423-5383
02	DO	BUFFALO	NY	14202	111 W. HURON STREET	ROOM 1311	(716)846-4301
02	BO	ELMIRA	NY	14901	333 E. WATER STREET	4TH FLOOR	(607)734-8130
02	BO	MELVILLE	NY	11747	35 PINELAWN ROAD	ROOM 102E	(516)454-0750
03	RO	PHILADELPHIA	PA	19004	231 ST. ASAPHS ROAD	SUITE 440-E	(215)596-5889
03	DO	BALTIMORE	MD	21202	10 N. CALVERT STREET	3RD FLOOR	(301)962-4392
03	DO	CLARKSBURG	WV	26301	168 W. MAIN STREET	5TH FLOOR	(304)623-5631
03	DO	PHILADELPHIA	PA	19004	231 ST. ASAPHS ROAD	SUITE 400-E	(215)596-5889
03	DO	PITTSBURGH	PA	15222	960 PENN AVENUE	5TH FLOOR	(412)644-2780
03	DO	RICHMOND	VA	23240	400 N. 8TH STREET	ROOM 3015	(804)771-2617
03	DO	WASHINGTON	DC	20036	1111 18TH STREET, NW	6TH FLOOR	(202)634-4950
03	BO	CHARLESTON	WV	25301	550 EAGAN STREET	SUITE 309	(304)347-5220
03	BO	HARRISBURG	PA	17101	100 CHESTNUT STREET	SUITE 309	(717)782-3840
03	BO	WILKES-BARRE	PA	18701	20 N. PENNSYLVANIA AVE.	ROOM 2327	(717)826-6497
03	BO	WILMINGTON	DE	19801	844 KING STREET	ROOM 5207	(302)573-6294
04	RO	ATLANTA	GA	30367	1375 PEACHTREE ST., NE	5TH FLOOR	(404)347-2797
04	POD	STATESBORO	GA	30458	52 N. MAIN STREET	ROOM 225	(912)489-8719
04	POD	TAMPA	FL	33602	700 TWIGGS STREET	ROOM 607	(813)228-2594
04	POD	W. PALM BEACH	FL	33407	3550 45TH STREET	SUITE 6	(305)689-2223
04	DO	ATLANTA	GA	30309	1720 PEACHTREE ROAD, NW	6TH FLOOR	(404)347-4749
04	DO	BIRMINGHAM	AL	35205	2121 8TH AVE. N.	SUITE 200	(205)731-1344
04	DO	CHARLOTTE	NC	28202	222 S. CHURCH STREET	ROOM 300	(704)371-6563
04	BO	COLUMBIA	SC	29202	1835 ASSEMBLY STREET	3RD FLOOR	(803)765-5376
04	DO	CORAL GABLES	FL	33146	1320 S. DIXIE HIGHWAY	SUITE 501	(305)536-5521
04	BO	JACKSON	MS	39269	100 W. CAPITOL STREET	SUITE 322	(601)965-4378
04	DO	JACKSONVILLE	FL	32202	400 W. BAY STREET	ROOM 261	(904)791-3782
04	BO	LOUISVILLE	KY	40202	600 FEDERAL PLACE	ROOM 188	(502)582-5976
04	DO	NASHVILLE	TN	37219	404 JAMES ROBERTSON PKWY	SUITE 1012	(615)736-5881
04	BO	GULFPORT	MS	39501	ONE HANCOCK PLAZA	SUITE 1001	(601)863-4449
05	RO	CHICAGO	IL	60604	230 S. DEARBORN STREET	ROOM 510	(312)353-0359
05	POD	EAU CLAIRE	WI	54701	500 S. BARSTOW STREET	ROOM 17	(715)834-9012
05	DO	CHICAGO	IL	60604	219 S. DEARBORN STREET	ROOM 437	(312)353-4528
05	DO	CLEVELAND	OH	44199	1240 E. 9TH STREET	ROOM 317	(216)552-4180
05	DO	COLUMBUS	OH	43215	85 MARCONI BLVD.	ROOM 512	(614)469-6860
05	DO	DETROIT	MI	48226	477 MICHIGAN AVE.	ROOM 515	(313)226-6075
05	DO	INDIANAPOLIS	IN	46204	575 N. PENNSYLVANIA ST.	ROOM 578	(317)269-7272
05	DO	MADISON	WI	53703	212 E. WASHINGTON AVE.	ROOM 213	(608)264-5261
05	DO	MINNEAPOLIS	MN	55403	100 N. 6TH STREET	SUITE 610	(612)349-3550
05	BO	CINCINNATI	OH	45202	550 MAIN STREET	ROOM 5028	(513)684-2814
05	BO	MARQUETTE	MI	49885	220 W. WASHINGTON ST.	ROOM 310	(906)225-1108
05	BO	MILWAUKEE	WI	53203	310 W. WISCONSIN AVE.	ROOM 400	(414)291-3941
05	BO	SPRINGFIELD	IL	62701	4 M. OLD STATE CAP PLAZA	1ST FLOOR	(217)492-4416

RO=REGIONAL OFFICE DO=DISTRICT OFFICE BO=BRANCH OFFICE POD=POST OF DUTY

DAO=DISASTER AREA OFFICE

REG	TYPE	CITY	ST	ZIP	ADDRESS		PUBLIC PHONE
06	RO	DALLAS	TX	75235	8625 KING GEORGE DR.	BLDG. C	(214)767-7643
06	POD	AUSTIN	TX	78701	300 E. 8TH STREET	ROOM 780	(512)482-5288
06	POD	MARSHALL	TX	75670	100 S. WASHINGTON ST.	ROOM 6-12	(214)935-5257
06	POD	SHREVEPORT	LA	71101	500 FANNIN STREET	ROOM 6B14	(318)226-5196
06	DO	ALBUQUERQUE	NM	87100	5000 MARBLE AVE., NE	ROOM 320	(505)262-6171
06	DO	DALLAS	TX	75242	1100 COMMERCE STREET	ROOM 3C36	(214)767-0605
06	DO	EL PASO	TX	79935	10737 GATEWAY W.	SUITE 320	(915)541-7586
06	DO	HARLINGEN	TX	78550	222 E. VAN BUREN STREET	ROOM 500	(512)423-8934
06	PO	HOUSTON	TX	77054	2525 MURWORTH	ROOM 112	(713)660-4401
06	DO	LITTLE ROCK	AR	72201	320 W. CAPITOL AVE.	ROOM 601	(501)378-5871
06	DO	LUBBOCK	TX	79401	1611 TENTH STREET	SUITE 200	(806)762-7466
06	DO	NEW ORLEANS	LA	70112	1661 CANAL STREET	SUITE 2000	(504)589-6685
06	DO	OKLAHOMA CITY	OK	73102	200 N. W. 5TH STREET	SUITE 670	(405)231-4301
06	DO	SAN ANTONIO	TX	78206	727 E. DURANGO STREET	ROOM A-513	(512)229-6250
06	DO	CORPUS CHRISTI	TX	78401	400 MANN STREET	SUITE 403	(512)888-3331
06	DO	FT. WORTH	TX	76102	819 TAYLOR STREET	ROOM 10A27	(817)334-3613
06	RO	KANSAS CITY	MO	64106	911 WALNUT STREET	13TH FLOOR	(816)374-5288
07	POD	CAPE GIRARDEAU	MO	63701	339 BROADWAY	ROOM 140	(314)335-6039
07	DO	CEDAR RAPIDS	IA	52402	373 COLLINS ROAD NE	ROOM 100	(319)399-2571
07	DO	DES MOINES	IA	50309	210 WALNUT STREET	ROOM COM	(515)284-4422
07	DO	KANSAS CITY	MO	64106	1103 GRAND AVE.	6TH FLOOR	(816)374-3419
07	DO	OMAHA	NB	68154	11145 MILL VALLEY RD.		(402)221-4691
07	DO	ST LOUIS	MO	63101	815 OLIVE STREET	ROOM 242	(314)425-6600
07	DO	WICHITA	KS	67202	110 E. WATERMAN STREET	1ST FLOOR	(316)269-6571
07	DO	SPRINGFIELD	MO	65805	309 N. JEFFERSON STREET	ROOM 150	(417)864-7670
08	RO	DENVER	CO	80202	1405 CURTIS STREET	22ND FLOOR	(303)844-5441
08	POD	BILLINGS	MT	59101	2601 FIRST AVE. N.	ROOM 216	(406)657-6047
08	DO	CASPER	WY	82602	100 EAST B. STREET	ROOM 4001	(307)261-5761
08	DO	DENVER	CO	80202	721 19TH STREET	ROOM 407	(303)844-2607
08	DO	FARGO	ND	58102	657 2ND AVE. N	ROOM 218	(701)237-5771
08	DO	HELENA	MT	59626	301 S. PARK	ROOM 528	(406)449-5381
08	DO	SALT LAKE CITY	UT	84138	125 S. STATE STREET	ROOM 2237	(314)524-5800
08	DO	SIOUX FALLS	SD	57102	101 S. MAIN STREET	SUITE 101	(605)336-2980
09	RO	SAN FRANCISCO	CA	94102	450 GOLDEN GATE AVE.	ROOM 13307	(415)556-7487
09	POD	RENO	NV	89505	50 S. VIRGINIA STREET	ROOM 238	(702)784-5268
09	POD	TUCSON	AZ	85701	300 W. CONGRESS STREET	BOX FB-33	(602)629-6715
09	DO	FRESNO	CA	93721	2202 MONTEREY STREET	SUITE 108	(209)487-5189
09	DO	HONOLULU	HI	96850	300 ALA MOANA	ROOM 2213	(808)546-8950
09	DO	LAS VEGAS	NV	89125	301 E. STEWART STREET	ROOM 301	(702)388-6611
09	DO	LOS ANGELES	CA	90071	350 S. FIGUEROA STREET	6TH FLOOR	(213)894-2956
09	DO	PHOENIX	AZ	85004	2005 N. CENTRAL AVE.	5TH FLOOR	(602)261-3732
09	DO	SAN DIEGO	CA	92101	880 FRONT STREET	ROOM 4-S-29	(619)293-5440
09	DO	SAN FRANCISCO	CA	94105	211 MAIN STREET	4TH FLOOR	(415)974-0642
09	BO	AGANA	GM	96910	PACIFIC DAILY NEWS BLDG	ROOM 508	(671)472-7277
09	BO	SACRAMENTO	CA	95814	660 J STREET	ROOM 215	(916)551-1445
09	BO	SANTA ANA	CA	92701	2700 N. MAIN STREET	ROOM 400	(714)836-2494
10	RO	SEATTLE	WA	98121	2615 4TH AVENUE	ROOM 440	(206)442-5676
10	DO	ANCHORAGE	AK	99501	8TH & C STREETS	ROOM 1068	(907)271-4022
10	DO	BOISE	ID	83702	1020 MAIN STREET	SUITE 290	(208)334-1696
10	DO	PORTLAND	OR	97204	1220 S. W. THIRD AVE.	ROOM 676	(503)423-5221
10	DO	SEATTLE	WA	98174	915 SECOND AVE.	ROOM 1792	(206)442-5534
10	DO	SPOKANE	WA	99201	W. 920 RIVERSIDE AVE.	ROOM 651	(509)456-3783
CO	DAO1	FAIR LAWN	NJ	07410	15-01 BROADWAY	1ST FLOOR	(201)794-8145
CO	DAO2	ATLANTA	GA	30308	120 RALPH McGILL STREET	14TH FLOOR	(404)347-3771
CO	DAO3	GRAND PRAIRIE	TX	75051	2306 OAK LANE	SUITE 110	(214)767-7571
CO	DAO4	SACRAMENTO	CA	95853	77 CADILLAC DRIVE	SUITE 150	(916)978-4378

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